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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15 (d) of
The Securities Exchange Act of 1934

For the fiscal year ended 31 December 1981 Commission file number 1-3685

McDonnell Douglas Corporation
(Exact name of registrant as specified in its charter)

Maryland
(State of Incorporation)

43-0400674
(I.R.S. Employer Identification No.)

Post Office Box 516, St. Louis, MO.
(Address of principal executive
offices)

63166
(Zip Code)

Registrant's telephone number, including area code 314-232-0232

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
<u>Common Stock, par value \$1 a share</u>	<u>New York and Pacific Stock Exchanges</u>
<u>4-3/4% Convertible Subordinated Debentures, due 1 July 1991</u>	<u>New York Stock Exchange</u>

Aggregate market value of common stock held
by non-affiliates of MDC at 31 January 1982: \$1,120.7 million

Common shares outstanding at 31 January 1982: 38,479,039 shares

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of
1934 during the preceding 12 months, and (2) has been subject to such filing
requirements for the past 90 days. Yes X No .

Documents Incorporated by Reference:

Portions of the 31 December 1981 annual shareholders' report are incorpor-
ated by reference into Parts I and II.

Portions of the proxy statement for the annual meeting to be held on
26 April 1982 are incorporated by reference into Part III.



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RCRA RECORDS CENTER

PART 1

ITEM 1. BUSINESS

GENERAL

McDonnell Douglas Corporation (MDC) has six principal divisional companies and three principal subsidiary corporations. The principal divisional companies are: Douglas Aircraft Company engaged primarily in design, development and production of commercial and military transport aircraft; McDonnell Aircraft Company engaged primarily in design, development and production of combat aircraft; McDonnell Douglas Astronautics Company engaged primarily in design, development and production of space systems and missiles; McDonnell Douglas Automation Company engaged primarily in data processing services; McDonnell Douglas Electronics Company engaged primarily in aerospace electronics work; and McDonnell Douglas-Tulsa engaged primarily in modification and overhaul of aircraft originally manufactured by MDC, and miscellaneous manufacturing support for other MDC divisions. The three principal subsidiary corporations are: McDonnell Douglas Finance Corporation engaged in financing the sale and lease of commercial aircraft to airline customers and in financing and leasing a variety of other equipment; McDonnell Douglas Canada Ltd. engaged in the manufacture in Canada of commercial aircraft subassemblies for MDC; and Microdata Corporation which produces business computer systems and related equipment. There are three reportable segments: commercial aircraft, military aircraft, and space systems and missiles.

Financial information about industry segments included in Note B, pages 23 and 24 of MDC's annual report for the year ended 31 December 1981, is incorporated herein by this reference.

COMMERCIAL AIRCRAFT

MDC, through its Douglas Aircraft Company (DAC) division, currently produces the DC-9 and DC-10 commercial transport aircraft for sale throughout the world. The DC-9 is a twin-jet, short-to-medium range transport designed to operate efficiently on relatively short routes. It presently is being offered in three models, the Series 30, 50 and Super 80. Deliveries of the largest version, the Super 80, commenced in 1980. Seventy-seven DC-9s were delivered in 1981, an increase of 54 from the 23 aircraft delivered in 1980. This increase resulted in large part from the delivery in 1981 of a large number of DC-9's originally scheduled for delivery in 1980. In the middle of 1982, when the backlog of delayed deliveries is eliminated, DC-9 production rates will decline substantially. Firm orders for 17 DC-9's were received in 1981, compared to 20 in 1980. As of 31 December 1981, a total of 1033 DC-9s had been delivered to commercial and government customers, there were 45 unfilled firm orders, and there were conditional orders and options for an additional 37 aircraft, for a total of 1,115 DC-9s. See "BACKLOG".

The DC-10 is a wide-bodied tri-jet aircraft presently being offered in five models, the Series 10, 15 and 18 medium range models and the Series 30 and 40 long range intercontinental models. The Series 10 and 30 models are also available in convertible cargo/passenger versions. MDC delivered 19 DC-10s in 1981 compared to 40 in 1980. Firm orders for three DC-10s were received in 1981, a decrease from the 12 aircraft ordered in 1980. There were no firm orders for DC-10s to be delivered in 1983. As of 31 December 1981, 358 DC-10 aircraft had been delivered, there were 9 unfilled firm orders, and there were conditional orders and options for an additional 13 aircraft, for a total of 380 commercial DC-10s. See "BACKLOG".

The worldwide recession, coupled in the U.S. with the effects of deregulation and 1981's air traffic controller strike, has continued to reduce the ability of airlines to order new equipment. In adjusting to this situation, MDC has provided substantial amounts of additional financing to airline customers and has carried increased amounts of unsold aircraft in inventory. At 31 December 1981 the inventory included two DC-10s on which production was nearly complete and nine essentially complete DC-9s for a customer not able to take delivery at that time.

In the opinion of management the cyclical history of the commercial aircraft industry suggests that the present problems of airlines and airline manufacturers will be followed in time by increased traffic and a resurgence of equipment orders. It is expected that the demand for wide cabin aircraft of the DC-10 type will be substantial in the mid-1980s and beyond. To reach this market, however, MDC will have to sell enough aircraft to keep production of current models at a minimally acceptable rate until the current slump ends. There is also a need to develop derivative models equipped with the latest in advanced engines and offering significant operating cost improvements. Such derivatives are being discussed with customers and would require additional investment if undertaken. The problem of maintaining an acceptable production rate for the DC-10 could partly be solved by U. S. Air Force purchase of the KC-10 tanker cargo aircraft, which as a military version of the DC-10 is manufactured on the same assembly line. The federal budget for fiscal year 1982 includes funds for four KC-10s to be delivered in 1983, and in January 1982 the Air Force announced plans - subject to Congressional action - to purchase 44 additional KC-10s. Such an increase in KC-10 orders could have a favorable impact on production rates. But, if DC-10 orders remain at extremely low levels, and if production of the KC-10 were held to very low annual levels also, it could become necessary to close the assembly line. This would cause substantial writeoffs.

In the fourth quarter of 1981 a pre-tax provision of \$50 million - \$25.5 million after taxes - was established for probable restructuring or default of commercial aircraft financing transactions. A loss of approximately that amount is expected to be charged against the provision as a result of the bankruptcy of Laker Airways of Great Britain in February 1982.

In the first half of 1981 MDC entered into an agreement with Fokker of the Netherlands under which the two companies began working together to

design and explore possible production of a new airliner, designated the MDF-100, in the 150 passenger class. This agreement was terminated in February, 1982, but MDC is continuing work on an aircraft of this type and will continue to explore joint venture possibilities with potential partners.

Competition

The commercial aircraft business is highly competitive. All of MDC's commercial jet aircraft sales are subject to intensive competition from aircraft manufactured by other companies both domestic and foreign, including companies with substantial resources and companies which are nationally owned or subsidized. Competition is on the basis of product suitability to the needs of the customer (a function of existing fleet mix, rate and route structure and other factors), product performance (including factors such as noise, fuel efficiency, maintenance costs), price, financing assistance and service.

During the period 1972-1981, based on the dollar volume of orders booked, MDC ranked third among all U.S. and Western European manufacturers of commercial jet transports. MDC's annual percent of penetration of total net bookings received by such manufacturers for commercial transports during that period varied from 6.9% to 34.6% and averaged 18.9%. MDC ranked third among U.S. and Western European manufacturers during 1981, receiving an estimated \$.71 billion (8.4%) of the total net bookings of approximately \$8.4 billion for commercial jet transports received by such manufacturers. Orders for new wide-cabin aircraft fell, in 1981, well below 1980's low level, and many used aircraft of this type have been placed on the market. In December 1981 plans were announced by the manufacturer of the L-1011 airliner, a direct competitor of the DC-10, to phase out its production.

MILITARY AIRCRAFT

MDC has under contract for production or development the F-15 Eagle, the F/A-18 Hornet, the AV-8B Harrier II, the C-9 and the KC-10 Extender military aircraft.

The F-15 supersonic, air superiority aircraft is currently produced as a fighter and trainer for the U.S. Air Force, is being produced for Israel, Saudi Arabia, and Japan, and is being manufactured in Japan under a license agreement. The Air Force originally planned to purchase a total of 749 F-15s, of which 634 had been delivered by 31 December 1981. Sales are dependent upon continued Congressional approval and upon annual appropriations. The U. S. Defense Department budget includes funds for production of 36 Eagles in fiscal year 1982, and the Administration has included 42 Eagles in its budget request for fiscal year 1983.

MDC was selected in May of 1975 to develop and produce the F/A-18, a new multi-mission strike fighter to replace the F-4 and A-7 in the U.S. Navy and Marine Corps inventories. MDC is prime contractor for the F/A-18 aircraft and Northrop Corporation is the major subcontractor. Production go ahead for

U. S. Navy and Marine Corps Hornets was approved in June 1981. Testing of the F-18A's fighter capabilities were successfully completed at that time, and testing of its attack capabilities was on schedule as of 31 December 1981 with completion expected in 1982.

The U.S. Navy and Marine Corps currently plan to purchase a total of 1,377 F/A-18's, of which 25 aircraft (including 11 development aircraft) had been delivered as of 31 December 1981. Such sales are subject to changing Navy and Marine Corps requirements and dependent upon continued Congressional approval and annual appropriations. The U.S. Defense Department budget includes funds for production of 63 Hornets in fiscal year 1982, and the Administration has included 84 Hornets in its budget request for fiscal year 1983. Canada has contracted to purchase 138 CF-18's over eight years under fixed price type contracts, with deliveries beginning in late 1982. Final assembly of these aircraft will be in the U.S. In 1981 Australia selected the F/A-18 as its next generation tactical fighter and attack aircraft. It will purchase 75 F-18As with deliveries beginning in 1984. Final assembly of 73 of these aircraft will be in Australia. The F/A-18 is also under consideration by Greece, Israel, and Spain.

The MDC AV-8B is a V/STOL (vertical/short takeoff and landing) attack aircraft with higher performance capability than the AV-8A Harrier currently in service with the U.S. Marine Corps. In the third quarter of 1981 Great Britain and the U.S. Government agreed to the joint development and production of the AV-8B V/STOL aircraft. MDC will be the prime contractor, with British Aerospace (BAe) as principal subcontractor, for 336 AV-8B's (Harrier II's) for the Marine Corps. BAe will be prime contractor and MDC principal subcontractor for 60 AV-8B's (GR5's) to be assembled in Britain for the Royal Air Force. It is expected that MDC will produce approximately 75% of AV-8B's to be sold to countries other than the U.S. and Britain. The federal budget for fiscal year 1982 includes funds for manufacture of 12 pilot production AV-8Bs and long lead funding for 18 aircraft, production of which will begin in the Government's fiscal year 1983.

Three versions of the DC-9 transport have been produced for the U.S. Government, the C-9A, C-9B and VC-9C. One C-9B version was delivered in 1981. A total of 41 C-9s had been delivered through 31 December 1981. The U.S. Government has ordered two C-9Bs for delivery in 1982.

The KC-10 Extender is a DC-10 Series 30 convertible freighter modified to provide the capabilities required for aerial refueling of military aircraft and the transportation of cargo and personnel. Development commenced in 1978 and the first flight of the KC-10 took place in the third quarter of 1980. Six KC-10 aircraft were delivered in 1981. During the first quarter of 1981, options for six more KC-10's were exercised for delivery in 1982, and in January 1982 an additional four were ordered for delivery in 1983. Current Air Force plans call for acquisition of a total of 60 aircraft.

In January 1981 MDC submitted its proposal to the U.S. Air Force for the C-X military transport. In August 1981 MDC was announced as winner of the

competition and its design was designated the C-17, but the Department of Defense determined subsequently not to request funding for full scale development and production of the C-17 at this time.

MDC and British Aerospace, working cooperatively with MDC as prime contractor, were selected as the winner in a competition for the VTXTS jet trainer aircraft and pilot training system for the U.S. Navy. A contract for pre-full-scale development is expected when Congressional review of the program has been completed.

SPACE SYSTEMS AND MISSILES

MDC, through its McDonnell Douglas Astronautics (MDAC) division, is engaged in a wide variety of programs in the space systems and missiles fields.

The Delta space booster is used to launch commercial and government satellites into orbit and for space probes. MDC has developed an improved Delta Second Stage for launching heavier spacecraft. Through 31 December 1981 MDC has received contracts from NASA for 184 Deltas of which 158 have been launched. Seven launches are scheduled for 1982. Delta missions are expected to continue at least into 1985.

MDC has developed a solid fueled, spinning upper stage unit called Payload Assist Module (PAM) which can be used as the third stage of the Delta or with the Space Shuttle. First launch occurred in November 1980. By the end of 1981, MDC had firm orders from eight commercial users for 25 PAM-Ds of which three have been launched. Additionally, the U.S. Air Force is planning to use configurations of two PAM-D motors launched as an upper stage of the Atlas launch vehicle and of one PAM-D from Shuttle for the NAVSTAR Global Positioning Satellite Program. First flight of the Atlas is scheduled to occur in 1982.

Since 1973, MDC has been the major U.S. industrial consultant to the group responsible for design and development of the European Spacelab program. MDC is to integrate the Spacelab hardware into the NASA Shuttle/Orbiter system. As regards the NASA Space Shuttle System, MDC is under subcontract to design and produce the Aft Propulsion Subsystem and structural components of the solid rocket boosters, and, under a direct contract to NASA, provides engineering and operations support services.

MDC is prime contractor in the Low Altitude Defense (LoAD) program, part of the Ballistic Missile Defense Systems Technology Program in which MDC has had a leading role for the past 11 years. LoAD is intended to demonstrate technology for a cost-effective, rapidly deployable, low altitude system to defend U.S. land-based intercontinental ballistic missiles from attack. Acceleration of the LoAD program in 1981 has significantly enlarged MDC's part in this phase of ballistic missile defense activity.

MDC was named prime contractor for the Navy's Harpoon anti-ship missile in 1971. Harpoon is a subsonic, all-weather missile with over the horizon range performance. It can be launched by surface ships, submarines,

aircraft and shore batteries and is compatible with current launch and fire control systems. A total of 2,587 Harpoons had been ordered for the U.S. Navy and 13 foreign nations through the U.S. Government, and 1,964 had been delivered by 31 December 1981.

MDC is completing full-scale development work on guidance sets for ship attack and land strike versions of the Tomahawk cruise missile. In 1981 MDC received initial production orders for Tomahawk guidance sets for these versions as well as ground-launched cruise missiles. Initial production orders were also received for launch-control equipment that would be part of European basing of ground-launched cruise missiles.

In July 1981, MDC received a contract for development and testing of a secure, high-capacity laser communications system for space satellites. Additional funding is expected in 1982 and could lead to production work in 1983.

In November 1981, MDC received a subcontract award for engineering development of an advanced mast-mounted sight for the Army Helicopter Improvement Program which integrates a stabilized day and night target acquisition and designation sight system into the U.S. Army's Near-Term Scout Helicopter.

MDC is engaged in research, study and proposal activities on a number of programs of near term and longer range significance, including derivatives of existing missile systems, advanced missile systems, space laser communication and continued expansion in Space Shuttle related projects including power modules and manufacturing in space concepts.

Marketing and Major Customer

The market for military aircraft, space systems, and missiles is primarily a defense market. Sales are for military forces of the U.S. and its allied and friendly governments. The major customer of the military aircraft and of the space systems and missiles segments of MDC's business is the U.S. Government, primarily the Air Force, Army, Navy, Marines and NASA. In addition to the normal risks found in any business, companies engaged in supplying military and space equipment to the Government are subject to unusual risks, including dependence on Congressional appropriations and administrative allotment of funds, changes in Government policies and consequent potential for termination of contracts for convenience of the Government, time required for design and development, complexity of designs and the rapidity with which they become obsolete, the constant necessity for design improvement, the intense competition for available Government business, the difficulty of forecasting costs and schedules when bidding on developmental and highly sophisticated technical work and other factors characteristic of the industry. The loss of a major portion of the U.S. Government business could have a material, adverse effect on MDC.

Competition

In the military aircraft and the space systems and missiles segments of its business, MDC encounters intensive competition from numerous firms when attempting to obtain an award as prime contractor or as a principal subcontractor on the relatively few large defense and space programs. Competition exists in the area of a firm's ability to perform the given task at a lesser cost to the Government, and in its ability to develop and manufacture an item that will accomplish the specified requirement in accordance with a predetermined delivery schedule. Substantial expenditures for design and development may be required without any assurance that such expenditures will result in a contract or that such contract, if awarded, will be profitable. Moreover, the costs of maintaining adequate research and development capabilities are substantial. The extent to which MDC participates in future defense and space programs will depend in large part on its research and development, the productivity of these activities, and MDC's effectiveness as evaluated by the Government in performing current projects. Based on available data, MDC ranked first in the nation in the dollar value of United States prime defense contract awards in 1976, 1977, and 1981 and second in 1978, 1979 and 1980.

OTHER ACTIVITIES

McDonnell Douglas Automation Company (MCAUTO)

This division provides sophisticated computer software and a variety of data processing services to approximately 3,700 commercial customers in fields including health care, manufacturing and distribution, engineering and construction, insurance and communications. It also supplies data processing services to MDC's subsidiaries and other divisions. At 31 December 1981, MCAUTO had more than 5,800 personnel located in 65 offices in 53 cities in 29 states and several foreign countries.

Microdata Corporation

Microdata Corporation, a wholly-owned subsidiary acquired in 1979, produces data processing systems, REALITY, SOVEREIGN and SEQUEL, and related equipment at facilities in the U.S., Caribbean and Great Britain. SEQUEL, a large business computer system, was introduced in the third quarter, and is expected to open new markets not accessible to the company's REALITY series of business systems. Microdata has 128 branch sales and service locations primarily in the U.S and Great Britain.

McDonnell Douglas Electronics Company (MDEC)

This division is engaged in work in the fields of visual simulation, voice response, energy and military training equipment, avionics, ground support equipment and electro-mechanical devices. Although MDEC supplies significant amounts of goods and services to MDC divisions or subsidiaries, in 1981 52% of its sales were to commercial customers and to the U.S. Government.

McDonnell Douglas Finance Corporation (MDFC)

This wholly-owned subsidiary is engaged in financing and leasing a variety of equipment, including aircraft, railroad cars, shipping containers, trucks, and computer mainframes, peripherals and auxiliary equipment, to 342 customers engaged in 38 different industries. In 1981 45% of MDFC's total dollar volume in financing activity was outside the commercial aircraft field.

Other

Through its subsidiaries and divisions, MDC is engaged in a variety of additional businesses providing diverse products and services. It produces and markets (through its wholly-owned subsidiary, VITEK Systems, Inc.) the AutoMicrobic System (AMS) which automates the identification of pathogens and appropriate antibiotics; engages (through its wholly-owned subsidiary, MDC Realty Company) in real estate activities in California and Michigan, leasing MDC's surplus properties as well as those built specifically for the commercial market; has been named prime contractor for design and construction in Oak Ridge, Tennessee of the Elmo Bumpy Torus Proof-of-Principal experiment, a magnetic confinement fusion energy concept; and has developed the conceptual design chosen by the U.S. Department of Energy for the nation's first experimental solar power plant being built near Barstow, California. As 1981 ended, this 10,000-kilowatt plant was undergoing final preparations for its first operational tests.

Competition

MDC faces strong competition in all of the businesses described above, quite often from major companies operating in the same areas and dedicating equal or greater capital and manpower to the development and marketing of similar, competitive products and services.

SUBCONTRACTING, PROCUREMENT AND RAW MATERIALS

The most important raw materials required for MDC products, from the standpoint of aggregate cost, are aluminum (sheet, plate, forgings and extrusions), titanium (sheet, plate, forgings and extrusions) and composites (including graphite and boron). All of these materials are purchased from outside sources. Composites are currently purchased from five suppliers, and although other potential composite suppliers do exist, it would take a year or more before they could become qualified alternate sources of supply.

MDC purchases many components, such as engines and accessories, electrical power systems, radars, landing gears, fuel systems, refrigeration systems, navigational equipment, and flight and engine instruments for use in aircraft; and propulsion systems, guidance systems, telemetry and gyroscopic devices in support of its space systems and missile programs. In addition, fabricated subassemblies such as engine pods and pylons, fuselage sections, wings and empennage surfaces, doors and flaps, are sometimes subcontracted to

outside vendors. The Government and commercial customers also furnish many components for incorporation into aircraft and other products they purchase from MDC. For the last two years, purchased materials, parts and supplies (including subcontracted items) amounted to approximately the following percentage of sales: 1981 - 40.4% and 1980 - 49.6%.

MDC is dependent upon the ability of its large number of suppliers and subcontractors to meet performance specifications, quality standards, and delivery schedules at anticipated costs, and their failure to do so could adversely affect production schedules and contract profitability, while jeopardizing the ability of MDC to fulfill commitments to its customers. MDC has encountered some difficulty from time to time in assuring long-lead time supplies of essential parts, subassemblies, and materials. The Company's success in forestalling shortages of critical commodities over the long term is difficult to predict because many factors affecting such shortages are outside its control. During 1981 MDC experienced shortages, delays and significant increases in costs for some materials and components required in certain of its programs, including, most significantly, the F/A-18 program, with resulting increases in production costs.

EMPLOYEES

At 31 December 1981 the total employment of MDC, including subsidiaries, was 74,264. The Company believes its employee relations are satisfactory.

PATENTS AND LICENSES

MDC holds many patents and has licenses under patents held by others. The Company does not believe that the expiration of any patent or group of patents, nor the termination of any patent license agreements, other than by reason of its default, would materially affect its business. MDC does not believe that its trademarks, franchises, or concessions are materially important to the conduct of its business.

ENVIRONMENTAL REGULATIONS

Capital expenditures to comply with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the environment, have not been material in relation to the financial position of MDC, and are not expected to be so in the future; nor has compliance had a material effect on earnings or the competitive position of MDC.

RESEARCH AND DEVELOPMENT

Substantial portions of the work performed under Government contracts are research and development work, which are reflected as sales and costs in MDC's financial statements. Company-initiated independent research and development and bid and proposal work amounted to \$215 million in 1981 and \$199 million in 1980. All such amounts are expensed currently.

FOREIGN OPERATIONS AND EXPORT SALES

Information relative to foreign operations and export sales contained in Note O on page 27 of the annual report for the year ended 31 December 1981 is incorporated herein by this reference.

BACKLOG

The backlog of orders at 31 December of the last two years has been as follows:

	1981		1980	
	<u>Backlog</u>	<u>%</u>	<u>Backlog</u>	<u>%</u>
	(Dollars in millions)			
Firm backlog:				
Commercial	\$1,637	18.5	\$3,032	34.4
Government:				
Military aircraft	6,429	72.6	5,175	58.7
Space systems and missiles	766	8.6	585	6.6
Other	<u>26</u>	<u>.3</u>	<u>24</u>	<u>.3</u>
	<u>7,221</u>	<u>81.5</u>	<u>5,784</u>	<u>65.6</u>
Total firm backlog	<u>\$8,858</u>	<u>100.0</u>	<u>\$8,816</u>	<u>100.0</u>
Additional government backlog:				
Military aircraft	\$4,791	89.3	\$3,769	87.1
Space systems and missiles	440	8.2	557	12.9
Other	<u>132</u>	<u>2.5</u>	<u>2</u>	<u>.0</u>
Total	<u>\$5,363</u>	<u>100.0</u>	<u>\$4,328</u>	<u>100.0</u>

Firm backlog excludes Government orders not yet funded to MDC and Government orders being negotiated as continuations of authorized programs, which exclusions are listed as "Additional government backlog". Firm backlog also excludes commercial orders with contingencies, and options. Both Government and commercial backlog figures include units scheduled for delivery over extended future periods. Since substantially all Government work is accounted for on the percentage of completion method of accounting whereby sales are recorded as work is performed (see Note A to the consolidated financial statements), the amounts for Government backlog cannot be segregated on the basis of scheduled deliveries. However, with respect to commercial work (which is accounted for on the delivery method), the firm backlog related to deliveries scheduled after one year was \$259 million at 31 December 1981 and \$796 million at 31 December 1980.

The Government may terminate its contracts for default or for its convenience whenever it believes that such termination would be in the best interest of the Government. Under contracts terminated for the convenience of the Government, a contractor is entitled to receive payments for its costs, and, in general, the proportionate share of its fee or earnings for the work done.

ITEM 2. PROPERTIES

The follow table summarizes the approximate building area (in gross square feet) of the principal properties used by MDC at 31 December 1981.

<u>Location</u>	<u>Owned</u>	<u>Leased</u>
California		
Huntington Beach	2,099,002	198,127
Long Beach	6,801,910	273,805
Torrance	2,249,093	
Other	378,390	1,211,274
St. Louis County, Missouri	6,928,210	1,915,619
Tulsa, Oklahoma		2,890,356
Malton, Ontario, Canada	1,775,555	
Other	<u>846,869</u>	<u>1,258,742</u>
Total	<u>21,079,029</u>	<u>7,747,923</u>

The only material leases are those for plants leased from the U.S. Government. A lease for a facility of 757,083 gross square feet in St. Louis, Missouri extends to 30 June 1984 and is renewable at five year intervals to 30 June 1999. The Tulsa, Oklahoma plant is leased from the U.S. Government on a month to month basis.

MDC has long-term airport use arrangements enabling it to use, generally with others, the runways, taxiways and certain other airport facilities owned by municipal authorities and used by the Company in connection with its St. Louis County, Missouri, Long Beach, California, Yuma, Arizona, and Tulsa, Oklahoma facilities.

In the opinion of MDC's management, all of its facilities are well maintained and suitable for the purposes for which they are utilized. The facilities at Huntington Beach, California and a portion of the plant in St. Louis County, Missouri are utilized by the Space Systems and Missiles segment for research and manufacture of spacecraft, launch vehicles and missiles. The plant at Long Beach, California is primarily utilized by the Commercial Aircraft segment for the development, manufacture and assembly of

such aircraft and to a lesser extent by the Military Aircraft segment to develop and assemble cargo airplanes. The Torrance, California property supports both the Commercial and Military Aircraft segments. The facilities at St. Louis County, Missouri are utilized by all business segments but are chiefly devoted to the development, manufacture and assembly of military aircraft. The Tulsa, Oklahoma plant's principal function is to perform assist work for the Commercial and Military Aircraft segments. The plant in Canada is almost exclusively engaged in producing commercial aircraft components for shipment to the United States for assembly into complete aircraft.

ITEM 3. LEGAL PROCEEDINGS

Northrop Corporation initiated litigation on 26 October 1979 in the United States District Court in Los Angeles, California, concerning the rights and obligations of the parties with respect to the manufacture and sale of F-18 aircraft under certain agreements and conduct of the parties related to such agreements and aircraft. Northrop sought declaratory and injunctive relief, not less than \$100 million compensatory damages, treble damages for monopolization and punitive damages. MDC counterclaimed for declaratory, injunctive and monetary relief. On 2 December 1980 the Court dismissed Northrop's complaint and then MDC's counterclaim on various grounds, also granting MDC summary judgment with respect to certain of Northrop's claims and Northrop summary judgment with respect to certain of MDC's counterclaims, including claims of limitations on F-18 aircraft which each party is entitled to sell. Northrop has appealed, and MDC has cross-appealed, the decisions.

MDC is also a defendant in a number of other legal proceedings, many of which are covered by insurance, in which substantial damages are sought. In the opinion of MDC, the ultimate liability of MDC in all of the actions against it should not have a material adverse effect in relation to the present financial position of MDC.

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

To the best of MDC's knowledge, no person other than certain directors indicated in the table below, and Banker's Trust Company (see note 3 to table), beneficially owned more than five percent of any class of MDC securities as of 31 January 1982.

MDC common stock beneficially owned by all MDC directors, and by MDC's directors and officers as a group, as of 31 January 1982, is set forth below and in footnote (7).

<u>Name</u> <u>Beneficial Owner</u>	<u>Amount and Nature of</u> <u>Beneficial Ownership</u> <u>(1)(7)</u>	<u>Approximate % of</u> <u>Shares Outstanding (8)</u>
John C. Brizendine	7,007 (2)	.02
	2,703 (6)	.01
	3,845 (10)	.01

George H. Capps	663	(2)		(9)
Michael N. Chetkovich	500	(6)		(9)
William H. Danforth, M.D.	600	(2)		(9)
Donald W. Douglas, Jr.	2,223	(2)	.01	
George S. Graff	20,598	(2)(3)	.05	
	1,402	(6)		(9)
Robert L. Johnson	5,852	(2)	.02	
Edwin S. Jones	643	(2)(3)		(9)
Robert C. Little	21,761	(2)	.06	
Hon. Donald S. Macdonald	300	(2)		(9)
James S. McDonnell III	1,610,866	(2)(4)(5)(11)	4.19	
John F. McDonnell	1,289,101	(2)(3)(4)(5)(11)	3.35	
Sanford N. McDonnell	100,046	(2)(3)(11)	.26	
	4,000	(6)	.01	
James T. McMillan	10,037	(2)	.03	
William R. Orthwein, Jr.	220,597	(2)(3)(10)(11)	.57	
	6,240	(6)	.02	
John T. Sant	8,608	(2)	.02	

(1) Includes 20,376 MDC shares in the Salaried Employee Savings Plan, but excludes as to Messrs. George S. Graff, Edwin S. Jones, James S. McDonnell III, John F. McDonnell, Sanford N. McDonnell and William R. Orthwein, Jr., shares deemed to be beneficially owned pursuant to SEC Rule 13d-3 which shares are described in detail in notes (3), (4) and (5), and as to which shares each individual disclaims beneficial ownership.

(2) Shares as to which the Director has sole voting and sole investment power.

(3) On 31 January 1981 Bankers Trust Company, as Trustee under the Trust in which MDC's three Employee Savings Plans and the Microdata Employee Savings Plan participate, held 9,693,503 shares of MDC Common Stock. These five Directors, each voting in his capacity as one of

the individuals constituting the Executive Committee of the MDC Board of Directors, may direct the voting of such of these shares as to which Employees do not direct the vote, and accordingly, have voting power as regards such shares, and, pursuant to SEC Rule 13d-3, each may be deemed to be the beneficial owner of such shares.

- (4) On 31 January 1982, McDonnell Foundation, Inc., held 814,549 shares of MDC Common Stock. These two Directors and Stanley J. Sheinbein have shared voting and investment power relative to such shares, and, pursuant to SEC Rule 13d-3, each may be deemed to be the beneficial owner of such shares.
- (5) On 31 January 1982 the James S. McDonnell Charitable Trusts A and B held 888,832 and 888,833 shares of MDC common stock, respectively. These two Directors are Co-Trustees of both Trusts, have shared voting and investment power relative to such shares, and, pursuant to SEC Rule 13d-3, each may be deemed to be the beneficial owner of such shares.
- (6) Shares held by the Director as a joint tenant or Co-Trustee, and as to which he has shared voting and shared investment power.
- (7) On 31 January 1982, all MDC Corporate Officers and Directors as a group were deemed to beneficially own 15,792,580 shares (including 65,781 shares which such persons had the right to acquire, in the aggregate, through the exercise of options; 9,693,503 shares held by Bankers Trust Company, as described in Note (3) above, 814,549 shares held by McDonnell Foundation, Inc., as described in Note (4) above and 1,777,665 shares held by the James S. McDonnell Charitable Trusts dated 16 June 1978, as described in Note (5) above), comprising approximately 41.04% of the outstanding shares. Excludes an aggregate of 500,377 shares registered on such date in the name of the spouse and children living in the home of each of the members of this group.
- (8) Rounded to nearest 1/100th of one percent.
- (9) Less than 1/100th of one percent.
- (10) As regards Mr. Brizendine, shares subject to currently exercisable options, and as regards Mr. Orthwein, includes 65 shares which could be acquired through conversion of MDC's 4-3/4% Convertible Subordinated Debentures, included in both cases, pursuant to Rule 13d-3(d)(1)(i) under the Securities Exchange Act. of 1934.
- (11) Excludes shares held on 31 January 1982 by the spouse and children living in the home of certain Directors as follows: John F. McDonnell 348,244; Sanford N. McDonnell 5,236; James S. McDonnell III 91,427; and William R. Orthwein, Jr. 50,991.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of MDC at 31 December 1981 were as follows:

<u>Executive</u>	<u>Positions and Offices Held</u>	<u>Age</u>
John C. Brizendine	Corporate Vice President; President of Douglas Aircraft Company, a division	56
Jerry G. Brown	Corporate Vice President - Treasurer	48
Walter E. Diggs, Jr.	Corporate Secretary & Counsel	45
George S. Graff	Corporate Vice President; President of McDonnell Aircraft Company, a division	64
Robert L. Johnson	Corporate Vice President - Group Executive	61
Robert C. Little	Corporate Vice President - Operations & Marketing	56
James S. McDonnell III	Corporate Vice President - Marketing	45
John F. McDonnell	President	43
Sanford N. McDonnell	Chairman and Chief Executive Officer	59
James T. McMillan	Corporate Vice President; President of McDonnell Douglas Finance Corporation, a subsidiary	56
William R. Orthwein, Jr.	Corporate Vice President; Chairman of McDonnell Douglas Automation Company, a division	64
John T. Sant	Corporate Vice President - General Counsel	49
John F. Yardley	Corporate Vice President; President of McDonnell Douglas Astronautics Company, a division	57

The Executive Committee of MDC Board of Directors consists of G. S. Graff, E. S. Jones, J. F. McDonnell, S. N. McDonnell (Chairman) and W. R. Orthwein, Jr.

Sanford N. McDonnell is a cousin of James S. McDonnell III and John F. McDonnell, who are brothers.

All officers serve at the pleasure of the Board of Directors of the Company. All of the above executive officers have been employees of the Company for five years, and John C. Brizendine, Jerry G. Brown, Walter E. Diggs, Jr., George S. Graff, James T. McMillan and John T. Sant have held the above positions for more than five years. Mr. Graff retired in March 1982. Robert L. Johnson was elected Corporate Vice President - Group Executive in December 1980, President of McDonnell Douglas Astronautics Company, a division of MDC, in 1975, and Corporate Vice President in 1973. Robert C. Little was elected Corporate Vice President - Group Executive effective 1 April 1982, Corporate Vice President - Operations and Marketing in September 1980, Corporate Vice President - Engineering & Marketing in 1977 and Corporate Vice President - Marketing in 1972. James S. McDonnell III was elected Corporate Vice President - Marketing in 1977 and Corporate Vice President - Marketing Administration in 1975. John F. McDonnell was elected President in October 1980, Corporate Executive Vice President in 1977, and Corporate Vice President - Finance & Development in 1975. Sanford N. McDonnell was elected Chairman and Chief Executive Officer in October 1980 and President and Chief Executive Officer in 1972. William R. Orthwein, Jr. was elected Chairman of McDonnell Douglas Automation Company (MCAUTO), a division of MDC, in January 1980, President of MCAUTO in 1970, and Corporate Vice President in 1967. He retired in February 1982. John F. Yardley was elected Corporate Vice President and President of McDonnell Douglas Astronautics Company (MDAC) in July 1981. From 1974 to July 1981 he held various positions with NASA, including Associate Administrator Space Transportation Systems, and from 1968 to 1974 he was Vice President of MDAC. Information in respect of Directors of MDC contained on pages 3 through 6 of MDC's proxy statement for 1982 is incorporated herein by this reference.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

Identification of the principal exchanges in which MDC's common stock is being traded, high and low sales prices for the stock for each quarterly period, and the frequency and amount of dividends declared with respect to such stock, during the past two years, as stated on page 31 of the annual report for the year ended 31 December 1981 are incorporated herein by this reference. The number of holders of record of MDC's common stock at 31 January 1982 was 52,788.

ITEM 6. SELECTED FINANCIAL DATA

Selected Financial Data for the five years ended 31 December 1981, consisting of the data captioned Summary of Operations, and Financial Position on 31 December, on page 30 of the annual report for the year ended 31 December 1981 are incorporated herein by this reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 16 and 17 of the annual report for the year ended 31 December 1981 is incorporated herein by this reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements of McDonnell Douglas Corporation and Consolidated Subsidiaries, included in the annual report for the year ended 31 December 1981 at the pages indicated, are incorporated herein by this reference.

Consolidated Balance Sheet, 31 December 1981, and 1980, pages 18 and 19.

Consolidated Statement of Shareholders' Equity, years ended 31 December 1981, 1980 and 1979, page 20.

Consolidated Statement of Changes in Financial Position, years ended 31 December 1981, 1980 and 1979, page 21.

Consolidated Statement of Earnings, years ended 31 December 1981, 1980 and 1979, page 22.

Notes to Consolidated Financial Statements, 31 December 1981, pages 22 to 27.

The Quarterly Results of Operations on page 31 and the information on Inflation and Changing Prices on page 29 of the annual report for the year ended 31 December 1981 are incorporated herein by this reference.

PART III

The information called for by Part III, Item 9. "Directors and Executive Officers of the Registrant" and Item 10. "Management Remuneration and Transactions", except for a list of Executive Officers which is provided in Part I of this Report, will be included in a definitive Proxy Statement pursuant to Regulation 14A which is incorporated herein by reference, and which will be filed with the Commission within 120 days after the close of the fiscal year.

PART IV

ITEM 11. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)1. LIST OF FINANCIAL STATEMENTS

The following consolidated financial statements of McDonnell Douglas Corporation and Consolidated Subsidiaries, included in the annual report of the registrant for the year ended 31 December 1981, are incorporated by reference in Item 8:

Consolidated Balance Sheet, 31 December 1981 and 1980.

Consolidated Statement of Shareholders' Equity, years ended 31 December 1981, 1980 and 1979.

Consolidated Statement of Changes in Financial Position, years ended 31 December 1981, 1980 and 1979.

Consolidated Statement of Earnings, years ended 31 December 1981, 1980 and 1979.

Notes to Consolidated Financial Statements, 31 December 1981.

(a)2. LIST OF FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statement schedules of McDonnell Douglas Corporation and Consolidated Subsidiaries are included in Item 11(d):

Schedule VII Guarantees of Securities of Other Issuers

Schedule VIII Valuation and Qualifying Accounts

Schedule IX Short-Term Borrowings

Schedule X Supplementary Income Statement Information

All other schedules for which provision is made in the applicable regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

(a)3. EXHIBITS

3. Articles of Restatement of MDC's Charter dated 27 April 1979, incorporated by reference from MDC's Form 10-Q for the first quarter of 1979 with which they were filed as an exhibit;

Bylaws of McDonnell Douglas Corporation as amended and restated effective 29 January 1982, incorporated by reference from MDC's Form 8-K dated 29 January 1982, with which they were filed as an exhibit.

4. Instruments defining the rights of security holders, including indentures.

11. Computation of earnings per share.

13. Annual report to security holders, 31 December 1981.

22. Subsidiaries.

(b) Reports on Form 8-K filed in the fourth quarter of 1981:

None.

(c) Exhibits

The response to this portion of Item 11 is submitted as a separate section of this report. (See page 22)

(d) Financial Statement Schedules

The response to this portion of Item 11 is submitted as a separate section of this report. (See page 26)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

McDONNELL DOUGLAS CORPORATION
(Registrant)

Date: 5 March 1982

By /s/ A. W. Hyland
Arthur W. Hyland, Staff Vice President -
Accounting (Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated below.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ S. N. McDonnell</u> Sanford N. McDonnell	Director, Chairman & Chief Executive Officer (Principal Executive Officer)	March <u>3</u> , 1982
<u>/s/ J. G. Brown</u> Jerry G. Brown	Corporate Vice President - Treasurer (Principal Financial Officer)	March <u>5</u> , 1982
John C. Brizendine *	Director	March <u>3</u> , 1982
George H. Capps *	Director	March <u>3</u> , 1982
Michael N. Chetkovich *	Director	March <u>3</u> , 1982
William H. Danforth *	Director	March <u>3</u> , 1982
Donald W. Douglas, Jr. *	Director	March <u>3</u> , 1982
George S. Graff *	Director	March <u>3</u> , 1982
Robert L. Johnson *	Director	March <u>3</u> , 1982
Edwin S. Jones *	Director	March <u>3</u> , 1982
Robert C. Little *	Director	March <u>3</u> , 1982
Donald S. Macdonald *	Director	March <u>3</u> , 1982
James S. McDonnell III *	Director	March <u>3</u> , 1982
John F. McDonnell *	Director	March <u>3</u> , 1982
James T. McMillan *	Director	March <u>3</u> , 1982
William R. Orthwein, Jr. *	Director	March <u>3</u> , 1982
John T. Sant *	Director	March <u>3</u> , 1982

By his signature below Walter E. Diggs, Jr. has signed this Form 10-K as Attorney-in-fact on behalf of the persons listed above whose names are followed by an asterisk, pursuant to a Power of Attorney, a copy of which is filed with this Form 10-K.

/s/ Walter E. Diggs, Jr.
Walter E. Diggs, Jr., Attorney-in Fact

MCDONNELL DOUGLAS CORPORATION
AND CONSOLIDATED SUBSIDIARIES

EXHIBITS

- 4. Instruments defining the rights of security holders,
including indentures
- 11. Computation of earnings per share
- 13. Annual report to security holders, 31 December 1981
- 22. Subsidiaries

MCDONNELL DOUGLAS CORPORATION
AND CONSOLIDATED SUBSIDIARIES

INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES

The registrant agrees to furnish, upon the request of the Commission, copies of constituent instruments defining the rights of the holders of the long-term debt described as follows:

McDonnell Douglas Corporation:

- 4 3/4% Convertible Subordinated Debentures, due 1991
- 5 1/4% Space Center Secured Notes, due 1986
- 5 1/2% Space Center Secured Notes, due 1984
- 8% Promissory note, due 1982
- Twelve Producer Loans with interest rates from
14 3/4% to 16 3/4%, due 1986
- Seven Promissory notes with various interest rates with
final maturity varying from 1982 to 1989.
- Promissory notes eliminated in consolidation

McDonnell Douglas Canada Ltd:

- Promissory note, partially interest free, due 1983
- Promissory note, partially interest free, due 1985
- Promissory note, variable interest rate, due 1983

VITEK Systems Inc:

- 9% Note and Deed of Trust, due 1994

Microdata Corporation:

- 9% Note and Deed of Trust, due 1998

CoaLiquid, Inc.:

- 12 1/2% Promissory note, due 1982

MCDONNELL DOUGLAS CORPORATION
AND CONSOLIDATED SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE

Years Ended 31 December

	<u>1981</u>	<u>1980</u>	<u>1979</u>
	(Dollars in millions)		
PRIMARY			
Weighted average shares outstanding	38,795,530	38,168,218	37,534,239
Issuable upon conversion of convertible debentures	1,112,414	1,589,275	2,005,712
Net increase upon exercise of stock options(1)	<u>75,697</u>	<u>134,139</u>	<u>90,391</u>
Total shares	<u>39,983,641</u>	<u>39,891,632</u>	<u>39,630,342</u>
Net earnings	\$176.6	\$144.6	\$199.1
Adjustment for interest and debt expense (less applicable income taxes) on convertible debentures	<u>.9</u>	<u>1.2</u>	<u>1.6</u>
	<u>\$177.5</u>	<u>\$145.8</u>	<u>\$200.7</u>
Primary earnings per share	<u>\$4.44</u>	<u>\$3.65</u>	<u>\$5.06</u>
FULLY DILUTED			
Weighted average shares outstanding	38,795,530	38,168,218	37,534,239
Issuable upon conversion of convertible debentures	1,112,414	1,589,275	2,005,712
Net increase upon exercise of stock options(1)	<u>75,697</u>	<u>209,169</u>	<u>132,761</u>
Total shares	<u>39,983,641</u>	<u>39,966,662</u>	<u>39,672,712</u>
Net earnings	\$176.6	\$144.6	\$199.1
Adjustment for interest and debt expense (less applicable income taxes) on convertible debentures	<u>.9</u>	<u>1.2</u>	<u>1.6</u>
	<u>\$177.5</u>	<u>\$145.8</u>	<u>\$200.7</u>
Fully diluted earnings per share	<u>\$4.44</u>	<u>\$3.65</u>	<u>\$5.06</u>

- (1) The net increase in shares upon the exercise of stock options shown above assumes the exercise of all options with a price less than the average market price and use of the proceeds to purchase shares at the average market price during the year. If the year-end market price is higher than average market price, the year-end market price is used in the fully diluted computation.

MCDONNELL DOUGLAS CORPORATION
AND CONSOLIDATED SUBSIDIARIES

SUBSIDIARIES (1)

<u>Company</u>	<u>State of Incorporation</u>	<u>Business Name</u>
McDonnell Douglas Finance Corporation (2)	Delaware	McDonnell Douglas Finance Corporation or MDFC

- (1) All other subsidiaries have been omitted from this listing as, considered in the aggregate as a single subsidiary, they would not constitute a significant subsidiary.
- (2) An unconsolidated subsidiary meeting the test as a significant subsidiary.

MCDONNELL DOUGLAS CORPORATION
AND CONSOLIDATED SUBSIDIARIES

FINANCIAL STATEMENT SCHEDULES

The following financial statement schedules of McDonnell Douglas Corporation and Consolidated Subsidiaries for the year ended 31 December 1981 are included herein:

Report of Independent Auditors

Schedule VII Guarantees of Securities of Other Issuers

Schedule VIII Valuation and Qualifying Accounts

Schedule IX Short-Term Borrowings

Schedule X Supplementary Income Statement Information

Consent of Independent Auditors re incorporation of Form 10-K into
Registration Statements on Form S-8

Ernst & Whinney

10 Broadway
St. Louis, Missouri 63102

314/231-7700

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors
McDonnell Douglas Corporation
St. Louis, Missouri

We have examined the consolidated financial statements and related schedules of McDonnell Douglas Corporation and consolidated subsidiaries listed in Item 11 (a) (1) and (2) of the annual report on Form 10-K of McDonnell Douglas Corporation for the year ended 31 December 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of McDonnell Douglas Corporation and consolidated subsidiaries at 31 December 1981 and 1980, and the consolidated results of their operations and the changes in their financial position for each of the three years in the period ended 31 December 1981, in conformity with generally accepted accounting principles applied on a consistent basis. Further, it is our opinion that the schedules referred to above present fairly the information set forth therein in compliance with the applicable accounting regulation of the Securities and Exchange Commission.

St. Louis, Missouri
28 January 1982

ERNST & WHINNEY

SCHEDULE VII - GUARANTEES OF SECURITIES OF OTHER ISSUERS
McDonnell Douglas Corporation and Consolidated Subsidiaries

31 DECEMBER 1981
(Dollars in millions)

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F	COL. G
NAME OF ISSUER OF SECURITIES GUARANTEED BY PERSON FOR WHICH STATEMENT IS FILED	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person or Persons for Which Statement is Filed	Amount in Treasury of Issuer of Securities Guaranteed	Nature of Guarantee	Nature of Any Default by Issuer of Securities Guaranteed in Principal, Interest, Sinking Fund or Redemption Provisions, or Payment of Dividends
Continental Airlines	Notes	\$ 2.3	None	None	A	None
Garuda Airlines	Notes	14.8	None	None	A	None
Hawaiian Airlines	Notes	1.0	None	None	B	None
Korean Airlines	Notes	.9	None	None	B	None
Pakistan International Airlines	Notes	2.8	None	None	B	None
British Caledonian Airlines	Notes	19.4	None	None	B	None
Laker Airways	Notes	31.8	None	None	B,C	None
World Airways, Inc.	Notes	36.5	None	None	B	None
Wardair Canada Ltd.	Debentures	17.7	None	None	D	None

A - Notes sold with recourse

B - MDC is obligated to purchase notes from holders in the amount shown in Column C, plus unpaid interest, in the event of nonpayment by issuer.

C - MDC has agreed to repurchase, in the event of non-payment by the issuer, notes held by MDPC totaling \$14.7 million, which are in addition to the amount shown.

D - MDC is obligated to purchase income debentures in the amount shown in Column C in the event of nonpayment by issuer.

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
McDonnell Douglas Corporation and Consolidated Subsidiaries

YEARS ENDED 31 DECEMBER 1981, 1980 AND 1979

(Dollars in millions)

COL. A	COL. B	COL. C		COL. D	COL. E
DESCRIPTION	Balance at Beginning of Period	ADDITIONS		Deductions - Describe	Balance at End of Period
		(1) Charged to Costs and Expenses	(2) Charged to Other Accounts - Describe		

Year ended 31 December 1981:

Provision for restructure or default of commercial aircraft financing transactions	\$	\$50.0	\$	\$	\$50.0
Allowances for uncollectible accounts	<u>4.0</u>	<u>3.9</u>	<u>.1 - A</u>	<u>1.0 - C</u>	<u>7.0</u>
	<u>\$ 4.0</u>	<u>\$53.9</u>	<u>\$.1</u>	<u>\$ 1.0</u>	<u>\$57.0</u>

Year ended 31 December 1980:

Allowances for uncollectible accounts	<u>\$ 2.7</u>	<u>\$ 1.6</u>	<u>\$.1 - A</u>	<u>\$.4 - C</u>	<u>\$ 4.0</u>
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Year ended 31 December 1979:

Allowances for uncollectible accounts	<u>\$.9</u>	<u>\$.3</u>	<u>\$ 1.6 - B</u>	<u>\$.1 - C</u>	<u>\$ 2.7</u>
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A - Reclassification

B - Acquired in Microdata purchase

C - Uncollectible accounts written off

SCHEDULE IX - SHORT-TERM BORROWINGS
McDonnell Douglas Corporation and Consolidated Subsidiaries

YEARS ENDED 31 DECEMBER 1981, 1980 AND 1979
(Dollars in millions)

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
CATEGORY OF AGGREGATE SHORT-TERM BORROWINGS	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period (1)	Weighted Average Interest Rate During the Period (2)

Year ended 31 December 1981:

Notes payable to banks	\$244.0	13.68%	\$423.0	\$332.3	17.02%
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Year ended 31 December 1980:

Notes payable to banks	\$241.3	20.74%	\$241.3	\$118.3	17.45%
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There were no short-term borrowings from banks during 1979.

(1) Computed by dividing the total of daily principal balances by the number of days in the period.

(2) Computed by dividing the actual interest expense by average short-term debt outstanding.

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
McDonnell Douglas Corporation and Consolidated Subsidiaries

YEARS ENDED 31 DECEMBER 1981, 1980 AND 1979

(Dollars in millions)

COL. A	COL. B
ITEM	Charged to Costs and Expenses

Year Ended 31 December 1981:

	\$ 140.0
1. Maintenance and repairs	
2. Depreciation and amortization of intangible assets, preoperating costs and similar deferrals	A
3. Taxes, other than payroll and income taxes	A
4. Royalties	A
5. Advertising costs	A

Year Ended 31 December 1980:

	\$ 125.2
1. Maintenance and repairs	
2. Depreciation and amortization of intangible assets, preoperating costs and similar deferrals	A
3. Taxes, other than payroll and income taxes	A
4. Royalties	A
5. Advertising costs	A

Year Ended 31 December 1979:

	\$ 101.3
1. Maintenance and repairs	
2. Depreciation and amortization of intangible assets, preoperating costs and similar deferrals	A
3. Taxes, other than payroll and income taxes	A
4. Royalties	A
5. Advertising Costs	A

A - Individual amounts not listed or detailed because each was less than 1% of total sales and revenues.

Ernst & Whinney

10 Broadway
St. Louis, Missouri 63102

314/231-7700

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference of our report dated 28 January 1982 on the consolidated financial statements and financial statement schedules of McDonnell Douglas Corporation and consolidated subsidiaries included in the annual report on Form 10-K of McDonnell Douglas Corporation for the year ended 31 December 1981 in the following filings:

- o Form S-8, Employee Savings Plan of McDonnell Douglas Corporation - Salaried Plan, filed 9 March 1982.
- o Form S-8, Employee Savings Plan of McDonnell Douglas Corporation - Hourly East Plan, filed 9 March 1982.
- o Form S-8, Employee Savings Plan of McDonnell Douglas Corporation - Hourly West Plan, filed 9 March 1982.
- o Form S-8, Employee Savings Plan of McAuto Systems Group, Inc., filed 9 March 1982.
- o Post-Effective Amendment Number 1 to Registration Statement File Number 2-71200 on Form S-8, Employee Savings Plan of Microdata Corporation - filed 9 March 1982.

Ernst & Whinney

St. Louis, Missouri
9 March 1982